AIA Japan Balanced Fund

March 2023

Investment Objective

This fund seeks to achieve long-term capital appreciation through investment primarily in equities and equity-related securities of Japanese companies, as well as stable income with capital preservation through investments in primarily fixed income securities of high credit quality issuers, denominated primarily in SGD, in such proportion as the manager deems fit.

Key Fund Facts

(As of 31 March 2023)

Launch Date	9 March 2006
Launch Price	SGD 1.000
Manager of ILP Sub-Fund	AIA Investment Management Private Limited
Name of Underlying Fund(s)	**Equities:** Nikko AM Shenton Japan Fund **Fixed Income:** AIA Investment Funds – AIA Singapore Bond Fund
Manager(s) of Underlying Fund(s)	Nikko Asset Management Asia Limited and AIA Investment Management Private Limited
Risk Classification	Medium to High Risk

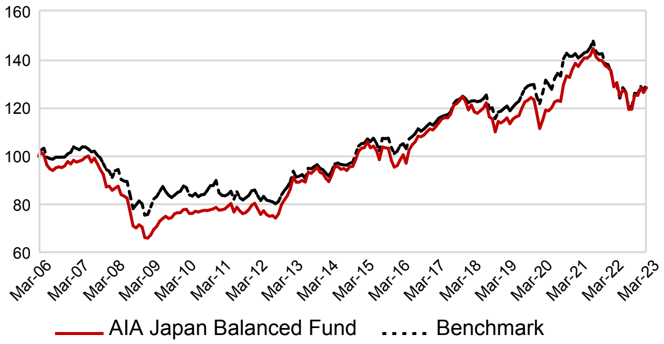
Subscription	Cash, CPF(OA & SA) and SRS
Pricing Frequency	Daily
Management Fees	1.50% p.a. of Net Asset Value
Bid	SGD 1.22
Offer	SGD 1.285
Fund Size	SGD 15.2M

Performance

(As of 31 March 2023)

Period	1 Month	3 Months	6 Months	1 Year	3 Year^	5 Year^	10 Year^	Since Inception^
Fund (bid-to-bid)	1.58%	2.61%	7.58%	-5.21%	4.83%	1.51%	4.04%	1.48%
Benchmark	2.31%	3.41%	8.47%	-3.70%	2.22%	1.25%	4.31%	2.02%

AIA Japan Balanced Fund



Source: AIA Singapore

Notes (1) Performance of the fund is in SGD on a bid to bid basis with net dividends reinvested, without taking into consideration the fees and charges payable through deduction of premium or cancellation of units (2) ^ denotes annualised returns (3) Current Manager: AIA Investment Management Private Limited (w.e.f 1 November 2017), Current Underlying Manager (Equities): Nikko Asset Management Asia Limited (w.e.f 27 June 2011), Current Underlying Manager (Fixed Income): AIA Investment Management Private Limited (w.e.f. 13 July 2021), (4) Current benchmark: 60% TOPIX Index & 40% Markit iBoxx SGD Overall Index TR (w.e.f.13 July 2021), * W.e.f 1 May 2017 net total return index methodology is used, prior to 1 May 2017, price index methodology was used. (5) Previous benchmark: 60% TOPIX* Index & 40% JP Morgan Sing Govt Bond Index All*

The combined benchmark is reflective of the fund's investment focus

Past Performance is not necessarily indicative of future performance.

Sector Allocation - Equities

(As of 31 March 2023)

Top 5 Sectors	**Holdings (%)**
Consumer Discretionary	24.60
Industrials	22.60
Information Technology	10.60
Communication Services	10.10
Financials	9.80
TOTAL	77.70

Source: Nikko Asset Management Asia Limited, Information from the underlying Nikko AM Shenton Japan Fund

Top Holdings

(As of 31 March 2023)

Top 5 (Equities)	Holdings (%)
SONY GROUP CORPORATION	5.20
TOYOTA MOTOR CORP.	3.20
NINTENDO CO., LTD.	3.20
MITSUBISHI UFJ FINANCIAL GROUP, INC.	3.10
HITACHI,LTD.	3.00
TOTAL	17.70

Top 5 (Fixed Income)	Holdings (%)
Singapore Government Bond 2.625% 01/08/2032	4.61
Singapore (Govt) 2.75% 01/04/2042	4.39
Singapore Government Bond 2.25% 01/08/2036	4.18
Singapore (Government Of) 2.875% 01/07/2029	3.97
Singapore (Govt of) 3.375% 01/09/2033	3.92
TOTAL	21.07

Source for Equities: Nikko Asset Management Asia Limited, Information from the underlying Nikko AM Shenton Japan Fund
Source for Fixed Income: AIA Investment Management Private Limited, Information from the underlying AIA Investment Funds – AIA Singapore Bond Fund

Manager's Commentary - Equities

(As of 31 March 2023)

The Japanese equity market rose in March. Stocks were initially weighed down by concerns regarding the health of the global banking system following the collapse of several banks. However, the market later rebounded as anxieties regarding the financial system eased following measures by the US financial authorities and other major central banks to shore up confidence in the financial system. Of the 33 Tokyo Stock Exchange sectors, 19 sectors rose, with Electric Appliances, Pharmaceuticals, and Wholesale Trade posting the strongest gains. In contrast, 14 sectors declined, including Insurance, Banks, and Marine Transportation.

The Fund underperformed the benchmark's monthly return of 2.62% in SGD terms. Sector allocation and stock selection both detracted from performance. In terms of sector allocation, the nil weight in Insurance, Services, and Other Financing Business added to performance, but this was offset by the negative contribution from the overweight in Banks and Securities & Commodity Futures, as well as the underweight in Foods.

In terms of individual stocks, positive contributors included character goods and entertainment company Sanrio, sportswear manufacturer Asics, semiconductor package manufacturer Ibiden and major trading house Mitsui & Co., whose share prices rose on-month. Meanwhile, detractors included megabanks Mitsubishi UFJ Financial Group and Sumitomo Mitsui Financial Group as their share prices declined on-month.

Presently, the financial system does not appear to have any major issues and the real economy remains strong in the US and China. Even if a new financial shock were to occur, the correction in the Japanese equity market would likely be much less severe than if pricing in a full-fledged recession. We also believe that the value strategy remains a relatively attractive means of investing in Japanese equities. Although the environment may continue to be favourable to growth stocks from March onward, we think this should be a temporary swing.

Manager's Commentary - Fixed Income

(As of 31 March 2023)

Global PMI surveys showed a modest decline while services rose, reaching their highest level since Dec 2021. In terms of prices, the PMI surveys also diverged between services which rose slightly and manufacturing which saw a substantial drop to levels observed in 2018 and 2019. With inflation readings plateauing at elevated levels and low rates of unemployment, monetary policy became more neutral, especially in Asia ex-Japan.

US economic activity slowed in March amidst a resilient labour market and sticky inflation. Sentiment however deteriorated rapidly following the successive blow ups of SVB, Signature Bank and Credit Suisse. That said, swift and targeted central bank responses managed to calm markets moving into month end. The odds of a recession by year end have risen as the higher cost of funding for banks is likely to drive a tightening of lending conditions. In a sense, monetary policy is constrained by deposits withdrawal, and market views of peak policy rates have been significantly downgraded during the month.

In China, economic activity continued to be supported by its reopening. PMI surveys, especially in services, suggested a high level of pent-up demand. Meanwhile, the property market continued to stabilize, with property prices bouncing back into positive territory. However, the rebound isn't strong enough to push consumer inflation higher and the export outlook remains particularly weak. Furthermore, medium- and long-term loans to households are at multi year lows. Notwithstanding, at the National People's Congress, the new Prime Minister's economic strategy was received as being resolutely pro-growth.

Yields fell sharply in March as successive blow ups of SVB, Signature Bank and Credit Suisse renewed financial stability concerns and macro markets traded with an aversion to risk. Furthermore, despite FOMC delivering a 25bps hike, Fed Chair Powell in the press conference cited tighter credit conditions could be a substitute for rate hikes. This led to the repricing lower of the policy rate path in 2024, as markets focused on the uncertainty from tighter credit conditions. Consequently, the US Treasury curve bull flattened as 2yr/5yr/10yr/30yr yields fell 79bp/61bp/45bp/27bps respectively. Like in the US, 30yr underperformed in the UK, Germany and Australia amid sizable gains in short tenors. Overall, long US bonds outperformed European bonds.

The Fund returned 1.57% in March, underperforming the benchmark by 28bps. The Government segment detracted performance on relative terms from lower SGS yields in the month due to the segment's shorter duration positioning vis-a-vis the benchmark in the front end. This was partially offset by the Corporates segment due to curve change and selection effects. As at end March, the Fund held a more neutral duration position on an overall level and has an overweight allocation to corporates segment where all-in yields are at attractive levels.

Source: Nikko Asset Management Asia Limited for equities and AIA Investment Management Private Limited *for fixed income*

Please refer to the Product Summary applicable to the investment-linked policy which you have purchased or intend to purchase for these applicable fees and charges.

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